dex increase (about 3% at annual rate) is hardly cause for alarm. But it does represent a shift from previous months when this bellwether yardstick of overall tags had remained virtually unchanged.

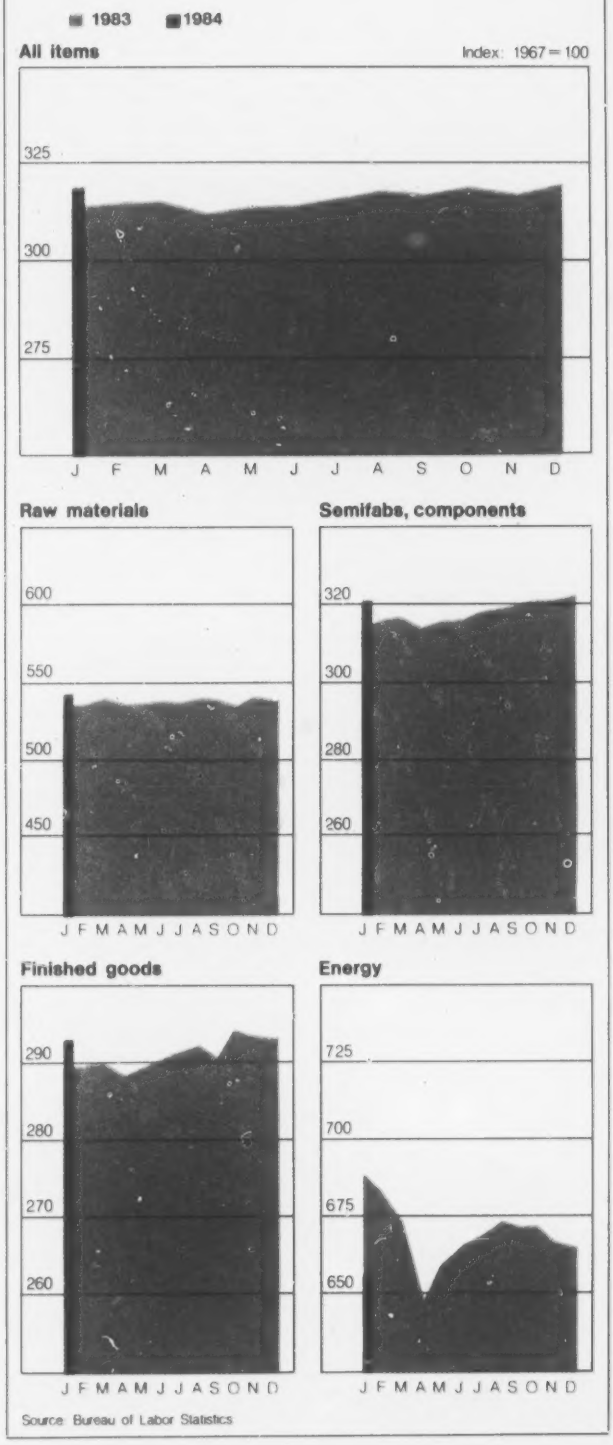
Most price analysts, however, have been expecting this kind of development as demand continues to improve and as more factories move a bit closer to their preferred operating rate levels. Indeed, one analyst feels that the latest increase is still quite encouraging. He notes, for example, that the consensus forecast for 1984 as a whole calls for an industrial price increase of near 5%—two percentage points higher than the latest reading.

In any event, increases for the most part are still quite moderate and, in many cases, are being offset by declines in other sectors. While industrial

This month's breakdown

	Latest level (December)	% change from: Month ago	Year ago
Bearings	335.6	0.7	1.4
Bolts, nuts, etc.	271.0	0.0	0.6
Chemicals, inorganic	289.6	-0.3	-3.3
Chemicals, organic	376.1	1.2	5.1
Concrete products	305.6	0.6	2.1
Corrugated cartons	249.3	0.0	3.1
Cutting tools, small	279.9	0.4	1.1
Electrical instruments	274.8	0.0	7.9
Electric lamps (bulbs)	331.4	1.3	11.4
Electronic components	188.2	0.6	5.4
Fans and blowers	337.6	0.5	0.2
Foundry and forge products	354.4	0.4	2.2
Fuel oil (residual)	1164.8	-1.7	10.2
Furniture, commercial	290.8	0.1	3.5
Gasoline	570.3	-2.9	-9.3
Glass, flat	229.5	-0.2	-0.1
Glass containers	351.0	0.0	-1.6
Gypsum products	328.5	2.2	24.9
Hand tools	352.9	0.5	1.6
Hand tools, power driven	222.2	0.6	0.5
Industrial furnaces	370.2	0.3	3.7
Integrating and measuring instruments	225.8	0.1	3.9
Internal combustion engines	344.3	0.5	2.2
Lubricating oil	749.9	0.8	-3.1
Lumber millwork	308.5	0.0	5.0
Material handling equipment	287.0	0.2	0.5
Metal containers	345.5	1.9	5.1
Metal mill shapes (nonferrous)	315.2	-0.1	2.6
Metal tanks	304.9	0.3	-0.8
Motors and generators	337.3	0.4	5.1
Motor trucks (10,000 lb and under)	280.4	0.1	2.5
Office and store equipment	155.8	0.6	1.1
Paperboard	262.2	1.0	7.8
Paper boxes and shipping containers	252.6	0.2	1.7
Paper office supplies	231.5	1.8	2.1
Paint	265.7	0.3	0.4
Plastic resins	304.2	2.0	7.2
Precision measuring tools	245.4	0.4	1.3
Pumps and compressors	346.1	-0.1	1.1
Refractories	355.0	0.2	5.1
Rubber belts and belting	332.2	-0.6	2.8
Scales and balances	228.0	0.1	0.0
Steel products	268.8	-0.2	1.1
Switchgear	359.3	0.9	5.2
Textiles, synthetic fibers	159.2	0.6	1.6
Textiles, gray fabrics	152.8	0.7	5.8
Tires and tubes	242.9	0.0	-4.8
Transformers and power regulators	223.4	-0.2	1.4
Welding equipment	276.1	1.1	1.1
Wire and cable	201.8	0.1	0.3

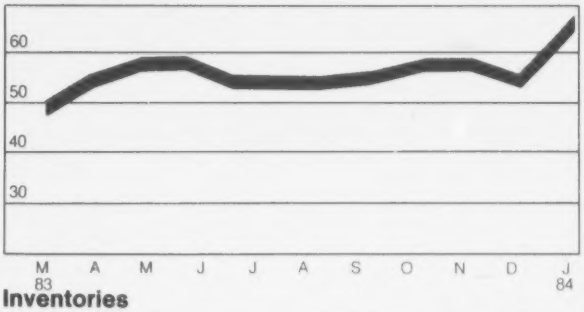
Industrial prices at a glance



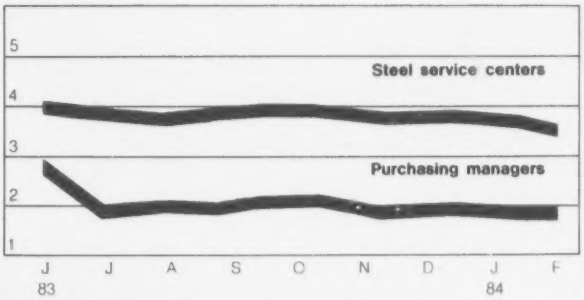
Source: Bureau of Labor Statistics

Steel

Operating rates

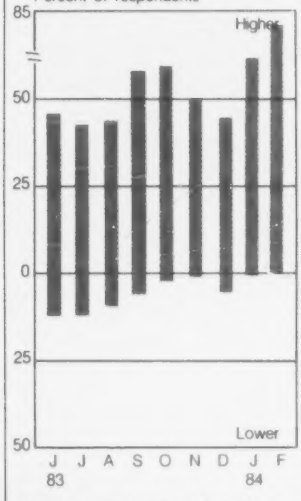


Inventories

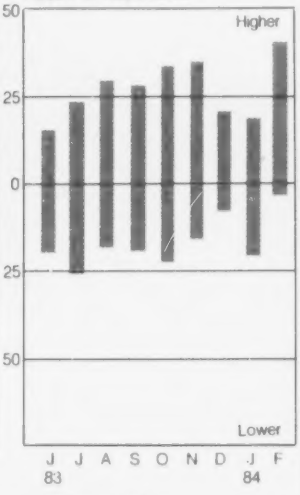


Demand (over the next 3 months)

Service center incoming orders
Percent of respondents

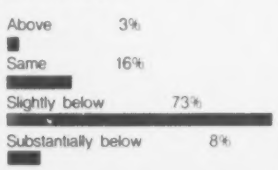


Steel buyer purchases
Percent of respondents

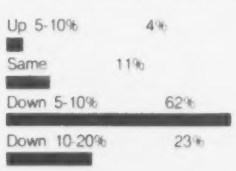


Import prices (foreign vs. domestic)

Steel buyers



Service centers (carbon steel)



Source: Steel Service Center Institute, NAPM Steel Buyers Committee

chemicals, plastic resins, paper, steel, and some textiles moved up, for example, there were some modest declines in such other basic raw materials as copper, tin, and precious metals.

Construction materials also tended to edge higher, with modest increases posted for gypsum, fabricated structural metal products, plywood, and lighting fixtures. But even here, there were some offsetting declines—namely in concrete products, lumber millwork, plastic construction products, and insulating material.

There was also a tendency for component parts to advance. Heading toward higher price ground, for example, were bearings, rubber hose, cutting tools, precision measuring tools, motors and generators, and internal combustion engines.

STEEL SCENE

Optimism keeps growing

It's beginning to look more and more like a really good steel year. At least that's what buyers and service centers are telling survey takers these days.

Indeed, both groups are actually more optimistic now than they were through most of 1983. Some 41% of the buyers queried by the NAPM Steel Committee expect to increase their receipts of the metal over the next three months. That's the highest such figure since last spring—and far above the miniscule 3% who are thinking about cutting back.

Distributors are even more optimistic, with four out of every five Steel Service Center Institute (SSCI) members anticipating an increase in their order books over the next three months. And not a single respondent is talking in terms of a decrease. Again, the figure represents the highest level since last spring.

The current bullishness is summed up by SSCI President Andrew G. Sharkey, who feels member sales volume will be up 10% in 1984 (to near 19 million tons). Median tonnage gains in key product lines are projected as: flat-rolled products (10%); stainless (7%); bars, tubulars, plate, and structurals (8%).

Sharkey adds that the survey findings suggest the biggest market gains will come in the general manufacturing, machinery, defense, and aerospace categories. Smaller upturns are seen for construction (both commercial and industrial), the oil and gas industries, agricultural equipment, shipbuilding, and forest products. There is also some doubt, he adds, as to whether appliance, auto, and truck manufacturers will be able to sustain the tremendous rate of growth that they enjoyed last year.

On a regional basis, service center executives in the Midwest and Great

Lakes areas express the most optimism. And West Coast centers (dealing with the aerospace industry) are the most bullish in the outlook for stainless. The least optimistic projections come from the South.

Adding to the general steel bullishness is the fact that the inventory overhang which plagued the industry last year seems to be all but over. On the buyer front, for example, only about one out of five now think their steel stocks are too high (less than half the number who thought so a year ago).

The latest SSCI survey shows almost identical figures: Some 20% say their stocks are too high versus the 41% reading of a year ago.

The steel service center people also indicate that this could actually result in some modest inventory buildup. True, the 25% who say they will be attempting to increase stocks over the next three months isn't all that much above the 20% who contemplate reductions. But it does represent the first time in several years that accumulators will be outnumbering the parers.

The improving market also shows up in the scatter of concern about near-term availability. Items mentioned more than once include cold-rolled sheet, coated sheet, rod and wire, and stainless. While the actual number of such products is still relatively small, it does suggest that some closer monitoring of leadtimes may be in order.

The surveys, meantime, show a relatively mixed picture as far as import bargains are concerned. Service centers, for example, note there has been a substantial drop in carbon steel coming in at 10-20% under comparable domestic levels. Less than one out of four now reports such buys—far under the nearly three out of four who reported such bargains last spring.

Another sign of the times: About one-third of the close-to-200 product lines regularly monitored by ***PurchasingWorld*** now sport some delays vis a vis last summer's levels. Items that have tended to stretch most include electronic components, a wide variety of paper lines, steel, and some nonferrous shapes.

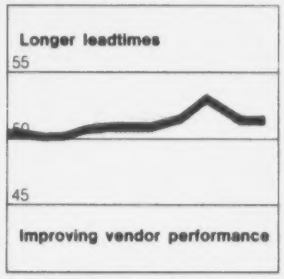
Equally significant, ***PW***'s own leadtime index (a compendium of all items studied) continues to register above the neutral 50 mark, where declines and extensions balance each other. Indeed, you have to go back more than a year to find a reading in the 50-or-under category.

The same picture is suggested by NAPM's speed-of-delivery measure. At latest report, some 29% were reporting some slowdowns—27% percentage points more than the 2% who noted some improvement. Again, this has been an ongoing trend, with those reporting slowdowns outpacing those noting speedups for 12 consecutive months.

Monthly procurement status report

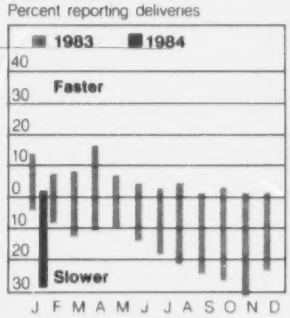
Leadtime index

A 'diffusion' index based on 158 key commodities. Above '50' indicates a tendency for leadtimes to stretch out. Below '50' suggests improving vendor performance.

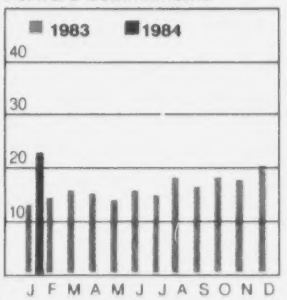


Delivery performance

Percent reporting deliveries

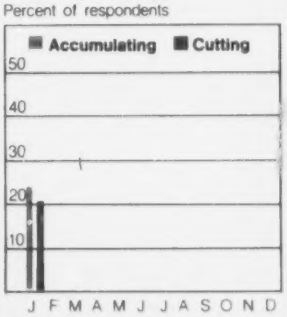


Forward commitments



Inventory strategy

Percent of respondents



Source: NAPM

PROCUREMENT STATUS

Another month of slower leads

Add yet another month to the slow but steady deterioration in vendor leadtime performance.

As in recent months, developments have not been all that dramatic—spotty and small, rather than across-the-board and large. Yet, on average, this continuing trend has probably been enough to add close to a week onto delivery rates over the past 6-12 months.

Leadtimes and availability

Chicago: Some extensions in the electric/electronic area (to these weekly leads): capacitors (12-20), coils (4-16), printed circuit boards (8-16), and semiconductors (13-52). Paper leads are out to 3-6 weeks, but should be back to a normal two weeks by summer. Metals are mixed: Light steel plates are out, but steel sheets are in a bit.

Cleveland: Fractional extensions (to these new weekly leads) are reported for maintenance paint (3), polyethylene (3), PVC resins (3), and cold-finish aluminum (13). Other relatively unchanged leads include two-ply fiber drums (2), steel canisters (6), strapping (2-3), plastic packaging (3), lumber (3), and skids (3).

Los Angeles: Several changes—mostly extensions. Out (to these new weekly leads) are galvanized steel (20), electromechanical devices (8-10), specialty wire (6), fasteners (6), stainless steel (16), heavy-duty steel (14), and passive electronic components (24-32). Coming in are copper fittings (3-5), computer peripherals (12-16), and paints (4-6).

BUSINESS DATATRAK

Houston: Some slight leadtime declines (with new monthly levels in parentheses) are noted for field fabricated pressure vessels and towers (6-14), shop-fabricated steel pipe (3-6), and structural steel (3-4). But some overall stretchouts are indicated by summer, based on more inquiries and an expected pickup in oil rig demand.

Philadelphia: A mixed picture here. Extending out (to these new weekly leads) are styrofoam molded shapes (3), corrugated shipping containers (3), polyethylene plastic bags (3), stainless bar from mills (12 for hex and 10 for round), and stainless round coil from mill (14). Coming in are wooden pallets (1) and xerographic paper (½).

Pittsburgh: Pretty much of an unchanged pattern here, with these typical weekly delivery delays: multiwall bags (6), plastic bags (3-4), corrugated and folding cartons (3-4), all types of drums (1), lumber (3-4), plastic packaging material (2-3), steel strapping (2-3), polyethylene and PVC resins (5), lead (2), and zinc (6).

Leadtimes (in weeks)

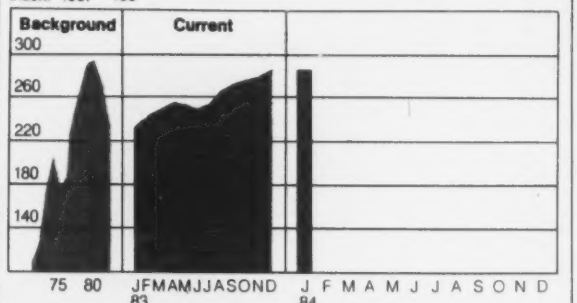
	Now	Month ago	Six months ago
STEEL			
Sheet (Phil)	9	7	7
C-R Sheet (Chgo)	8	8½	10
Plate (Phil)	10	10	4½
Plate (Chgo)	4	4	2½
Reinforced (Hous)	6	6	6
H-R Bars (Phil)	4½	4½	4½
H-R Bars (Chgo)	3	3½	2½
Cold-Drawn Bars (Phil)	4½	4½	4½
Galvanized (LA)	20	11	6
Galvanized (Chgo)	7	7	7
Structurals (Chgo)	2½	2½	2½
Structurals (Hous)	17	15	17
Tubing (Phil)	7	7	6
Greyiron Castings (LA)	6	6	12
Steel Castings (Hous)	11½	11½	11½
Forgings (Hous)	7	7	7
Pipe, Carbon (Hous)	13	13	13
ELECTRIC & ELECTRONIC			
Cables (Chgo)	8½	8½	8½
Capacitors (Chgo)	16	14	13
Circuit Breakers (Chgo)	6	6	6
Electromech. Devices (LA)	9	7	8
ICs (Linear) (Phil)	20	20	11
Motors (Phil)	21	21	21
Motors, 1000 hp & Up (Hous)	39	39	39
Printed Circuit Boards (Chgo)	12	10½	7
Relays (Chgo)	15	15	15
Resistors (Chgo)	10	10	10
Resistors, Wirebound (Phil)	9	9	10
Transformers (Chgo)	10	10	10
LUMBER			
Hardwood (Pgh)	3	3	3
Hardwood (Clev)	3½	3½	3½
Plywood (Chgo)	1½	2	2
Plywood (Phil)	1½	1½	1½
Softwood (Clev)	3	3	3
Softwood (Phil)	1/5	1/5	1/5
Softwood (Pgh)	3	3	3
Particleboard (Phil)	2½	2½	2½
CHEMICALS-PLASTICS			
Adhesives (LA)	½	½	½
Naphthalene (Chgo)	2	2	2
Paint (LA)	4	4	4½
Paint, Coil Coating (Pgh)	4	4	4
Paint, Maint. (Clev)	3	2½	2
Polyester Resin (LA)	2	2	2
Polyethylene Resin (Clev)	3	2½	2½
Polyethylene Resin (Pgh)	4	4	4
PVC Resin (Chgo)	2½	2½	2½
PVC Resin (Pgh)	4	4	4
Titanium Dioxide (LA)	1	1	1
PACKAGING			
Bags, Kraft (Pgh)	5	5	5
Bags, Multiwall (Clev)	9	9	9
Bags, Multiwall (Pgh)	6	6	6
Cartons, Corrugated (Clev)	3	3	3
Cartons, Corrugated (Hous)	3	3	3
Cartons, Folding (Phil)	6½	6½	6½
Cartons, Folding (Pgh)	3½	3½	3½
Cellophane Wrap (Phil)	5	5	5
Plastic Bags (Pgh)	3½	3½	3½
Plastic Pkg. (Pgh)	3	3	3
Shrink Film (Chgo)	4	4	4
Shrink Film (Clev)	3	3	3
Drums, Fiber (Pgh)	1	1	1
Drums, Steel, Std. (Pgh)	1	1	1
Wood Pallets (Chgo)	2½	2½	2½
Wirebound Boxes (Pgh)	4½	4½	4½
Strapping (Clev)	2½	2½	2½
Strapping (Pgh)	3	3	3
PAPER			
Fiberboard (Clev)	3½	3½	3½
Glassine (Clev)	4½	4½	4½
Glassine (Pgh)	5½	5½	5½
Groundwood (Clev)	4½	4½	4½
Groundwood (Pgh)	7	7	7
Kraft (Clev)	1	1	1
Kraft, Bleached (Clev)	1	1	1
Kraft, Bleached (Pgh)	5	5	5
Kraft, Natural MFNS (Clev)	1	1	1
Laminated (Clev)	8	8	8
Tissue (Pgh)	5½	5½	5½
NON-FERROUS			
Aluminum Coil (Chgo)	11	11	11
Aluminum Plate (Chgo)	9	9	9
Aluminum Sheet (LA)	4½	4½	6
Aluminum Sheet (Chgo)	14	14	11
Brass Castings (LA)	7	7	8½
Brass Rods (Chgo)	3½	3½	3½
Brass Sheet (Chgo)	13	9	5
Brass Tube (Chgo)	9	9	6½
Copper Fittings (LA)	3½	5½	5½
Copper Mill Prod. (Pgh)	6	6	6
Copper Tube (LA)	5½	5½	6
Copper Tube (Phil)	6	6	6
Lead (Pgh)	2	2	2
Magnesium (Pgh)	6	6	2
Manganese (Clev)	1	1	1
Nickel (Clev)	1	1	1
Nickel (Pgh)	2	2	2
Silicon (Clev)	1	1	1
Tin (Pgh)	3	3	3
Wire, Specialty (LA)	6	5	5
Zinc (Pgh)	6	6	2
MISCELLANEOUS			
Bearings, Domestic (Phil)	12	12	12
Bearings, Foreign (Phil)	26	26	26
Boilers & Furnaces (Hous)	35	35	35
Compressors, Centrifugal (Hous)	52	52	52
Compressors, Reciproc. (Hous)	39	39	39
Fasteners (Chgo)	1½	1½	½
Fasteners (LA)	6	4	4
Fasteners, Std. (Phil)	2	2	3½
Heat Exchangers, Carbon-alloy Steel (Hous)	20	20	20
Heat Exchangers, Hi-pressure (Hous)	21	21	21
Insulation Mat'l. (LA)	7	7	9½
Machined Parts (Hous)	9	9	9
Pipes & Valves (Chgo)	2	2	1½
Pumps (Hous)	39	39	41
Pumps (LA)	9	9	9
Rubber, Synthetic (LA)	2	2	2
Rubber Hose (LA)	4	4	6
Tungsten Carbide Parts (Hous)	15	15	15
Valves, Cast Steel (Hous)	6½	6½	8
Welding Supplies (Hous)	5	5	5

BUSINESS DATATRAK

Raw material price barometer

Latest month	283.6
Month before	282.4
Year ago	232.1

Index: 1967 = 100



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic, valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	347.00	347.00	347.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	24.40	24.40	24.40
Steel, bars, dlvd. Phila., cwt., merchant quality	17.50	17.50	17.50
Steel, bars, Pitts, cwt.	17.50	17.50	17.50
Steel, bars, C.R., Pitts, cwt.	26.00	26.00	31.00
Steel, plates, Pitts., cwt.	23.25	23.25	24.25
Steel, plates, H.R., Pitts., cwt.	20.80	20.80	20.80
Steel, sheets, C.R., Detroit, cwt.	27.10	27.10	24.65
Steel, strip, C.R., Chi., cwt.	35.30	35.30	29.05
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	0.745	0.760	0.555
Antimony, in alloy, lb.	2.00	2.00	2.00
Beryllium-copper, cost ingot, lb.	5.20	4.95	4.95
Brass, red, 85%, [sheet], lb.	1.22	1.22	1.26
Brass, yellow, [sheet], lb.	1.17	1.17	1.20
Cadmium, ton lots, lb.	1.25	1.25	1.00
Copper, electrolytic, wire bars, refd., lb.	0.68	0.68	0.79
Copper sheet, over 24 in., lb.	1.31	1.31	1.35
Lead, common, N.Y., lb.	.240	.250	.205
Magnesium, pig ingot, [99.8%], lb.	1.43	1.43	1.34
Mercury, 20 fl. lots, N.Y., fl.	292.00	315.00	375.00
Molybdenum Climax Oxide/bags, lb.	4.65	4.65	4.40
Nickel, electrolytic, producer, lb.	3.20	3.20	3.20
Platinum, producer, oz.	475.00	475.00	475.00
Silver, N.Y., oz.	8.75	8.20	13.90
Tin, Straights, N.Y., lb.	6.23	6.25	6.37
Zinc, Prime West, East St. Louis, lb.	0.51	0.49	0.40
Zinc, die casting alloy, No. 3, lb.	0.585	0.555	0.465
PAPER			
Uncoated book 13 offset, ton	810.00	810.00	800.00
Watermarked bond, ton	915.00	915.00	845.00
Gummed sealing tape, carton	15.45	15.45	15.70
Boxboard, mach. clay ctd. recycled sheets 80 bright, .016, ton	475.00	475.00	475.00
Wrapping paper, std. distribution cost, kraft, basis wt. 50 lb., roll	28.00	28.00	28.00
Kraft linerboard, 42 lb., unbleached, ton	320.00	290.00	250.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	0.301	0.315	0.236
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.02	1.02	0.95
Cotton middling, 1", N.Y., lb.	0.697	0.694	0.611
Printcloth, 48", 80x80, N.Y., spot, yd.	0.850	0.840	0.610
Army duck, 37", 13 oz., yd.	1.79	1.79	1.60
Blended printcloth, 64", 78x54, yd.	0.72	0.71	0.66
20s combed yarns	2.14	2.14	1.68
Wool tops, N.Y., lb.	3.60	3.60	3.60

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb.	0.43	0.43	0.43
Ammonia, anhydrous, fertilizer, wholesale, tanks, ton	195.00	195.00	210.00
Benzene, petroleum, tanks, Houston, gal.	1.40	1.41	1.45
Caustic soda, 76% solid, drums, carlots, cwt.	26.00	26.00	26.00
Cresylic acid [over 25%], tanks, lb.	0.58	0.58	0.66
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	0.106	0.106	0.101
Glycerine, synthetic, tanks, lb.	0.810	0.810	0.730
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	0.450	0.450	0.715
Naphthalene, crude, tanks, lb.	0.22	0.22	0.22
Phthalic anhydride, tanks, lb.	0.305	0.305	0.265
Polyethylene resin, low density liner film grade (market price), lb.	.420	.420	.290
Polypropylene, homopolymer grade (market price), lb.	0.37	0.37	0.35
Polystyrene, general purpose grade (market price) lb.	0.40	0.40	0.36
Shellac, bone dry, N.Y., lb.	1.65	1.65	1.65
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	0.350	0.350	0.350
Sulphur, crude, ex-terminal, Tampa, Fla., lt.	132.50	132.50	135.00
Sulphuric acid, 66%, commercial, tanks, ton	56.35	56.35	56.35
Titanium dioxide, anatase, reg., carlots lb.	0.69	0.69	0.69
Xylene tanks, gal.	1.35	1.35	1.45
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	313.75	311.65	328.00
Lumber 2x2, pine, mbf, cl	314.05	310.60	311.60
Plywood, plyform, 3/4", msf, cl	559.55	551.20	539.95
Plywood, 5/8", msf, cl	348.50	350.75	340.65
Cement, bulk, ton, tl	62.35	61.78	63.18
Sand, ton, cl	6.15	6.12	5.92
Ready-mix concrete, 3,000 psi/cu. yd., 15 cu. yd.	45.80	45.75	45.93
Crushed stone, 1½", ton, cl	8.00	7.83	7.85
Concrete blocks, sand/gravel, 8"x8"x16", ea., tl	0.76	0.76	0.75
Gypsum sheathing, ½"x1"x8", msf, tl	198.97	192.50	158.15
Brick, common, per thousand, tl	172.50	171.83	172.35
Asphalt paving, AC-20	161.31	159.64	155.57
Concrete sewer pipe, 12", prem. joint, per foot, cl	6.79	6.79	6.76
FUELS			
Fuel oil, No. 6 or Bunker C, Gulf., bbl	26.20	25.75	22.00
Fuel oil, No. 6 or Bunker C, N.Y., barge, bbl., reseller	32.90	31.50	28.75
Gasoline, 91 oct., reg., Los Angeles, rack, gal.	0.738	0.810	0.775
Gasoline, 94 oct., reg., Chi., tank car, gal.	0.808	0.765	0.829
Heating oil, No. 2, Chi., bulk, gal.	0.854	0.835	0.770
Heating oil, No. 2, N.Y., bulk, gal.	0.825	0.878	0.828
Heavy fuel, PS 400, Los Angeles, rack, bbl.	26.25	26.25	25.30
Jet kerosene, gal.	0.825	0.860	0.830
LP-Gas, propane, Okla., tank cars, gal. [incl. discount]	0.460	0.460	0.450
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	105.00	98.00	67.00
Steel, No. 1, hvy., dlvd., Chi., ton	88.00	88.00	66.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	0.590	0.585	0.655
Copper, No. 2, East, wholesale buy, dlvd., lb.	0.505	0.495	0.580
Brass, red, East, wholesale buy, dlvd., lb.	0.550	0.545	0.615
Brass, yellow, East, wholesale buy, dlvd., lb.	0.325	0.315	0.350
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	0.500	0.500	0.275
Alum., mixed clip, E., wholesale buy, dlvd., lb.	0.515	0.515	0.295
Zinc, old, East, wholesale buy, dlvd., lb.	0.185	0.185	0.075
Lead, clean solids, East, wholesale buy, dlvd., lb.	0.140	0.150	0.115
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	30.00	25.00	5.00
Paper, old corrug. box, dlr., N.Y., ton	25.00	21.00	4.00
Osnaburg cuttings, dlr., f.o.b. N.Y., lb.	0.130	0.110	0.110
White wipers, No. 1, dlr. buy, f.o.b. N.Y., lb.	0.34	0.33	n.a.

[Sources: Metals Week, Engineering News-Record (20-city averages), Platt's Oilgram Price Service.]

Buyers keeping inventories tight

Business activity may be moving up, but purchasing managers are still keeping a tight rein on inventories. In fact, they've actually reduced days' supply in many instances.

Equally significant, the vast majority of buyers queried in a nationwide ***PurchasingWorld*** survey expect things to continue that way through the remainder of the first half and into next fall and winter. Indeed, any increases in actual tonnage levels are expected to be more than offset by further production and sales gains.

These findings are also confirmed by official government statistics. The plunge in Uncle Sam's overall manufacturing inventory/sales ratio to 1.44 in late 1983 marks the lowest this ratio has ever fallen (except for the first three months of the Korean War).

The reasons aren't too hard to find. Purchasing executives are putting increased emphasis on just-in-time or zero-inventory programs—with better scheduling also getting a big assist from expanding computer technology.

Then, too, there are a couple of good economic reasons for this close-to-the-vest stance. Very few items (except for some selective electronic components) are in short supply. Then there's the high price of money, making the cost of carrying more than just the bare minimum prohibitively expensive.

Here's how purchasing managers see the inventory picture shaping up:

■ **Current holdings:** Close to two out of every five respondents still characterize their inventories as being too high (versus only 20% who feel they need some beefing up). Implication: no new, big inventory buying spree.

■ **Current days' supply:** The overall "keep 'em trim" trend is also verified by the fact that 43% report their days' supply is now lower than it was some six months ago—far outweighing the 18% who note an increase in this key ratio. Also indicative of a tight-fisted approach: More than half the respondents say they now carry a 40-day supply or less.

■ **Future plans:** While roughly three out of five queried buyers project some increase in stock tonnages, almost all add that the increases will be quite modest and just about in line with expected increases in company activity.

■ **Price hedging:** The foregoing, however, won't preclude some advance buying to beat expected price boosts. Some 57% of the respondents admit to taking this tack, with the items most often mentioned being paper, plastic resins, chemicals, motors, castings, diesel engines, aluminum, steel, and special ceramics.

■ **Strike hedging:** Much less of this is going on, with only about 15% buying future protection against possible work stoppages. About the only big worry is an East Coast dock strike, which could temporarily cut off imports.

■ **Leadtimes:** Despite the generally adequate supply situation, the majority of PMs queried seem resigned to some delivery stretchouts. Items most often mentioned here include electronic parts, packaging, flat-rolled steel, stainless steel, paper, machined parts, DC motors, brass, bearings, and heat exchangers.

■ **Inventory carrying costs:** The most typical estimate here is 24% a year (about 2% a month). That's certainly a big enough figure to put downward pressure on inventory levels.

But whatever the reason for keeping stocks low, responses of purchasing managers suggest that they're leaving no stone unturned in an effort to drop days' supply figures even lower. Some of the approaches noted: (1) shifting more of the burden onto suppliers via longterm contracts and consignment shipments; (2) narrowing product lines, which, in turn, means the stocking of fewer parts; (3) more frequent reviews of inventory levels; (4) refusing to increase inventories until new orders have actually been received by sales; and (5) more implementation of MRP procedures.

Equally significant is the greater stress being put on closer and better vendor-buyer relationships—including detailed communications on future needs and the monitoring of supplier workloads and leadtimes.

The situation is probably best summed up by one Midwestern purchasing executive who notes, "We learned during the recent recession that we could live with a lot lower inventory, and given the economic facts of life today, there's little incentive to go back to our old, expensive habits." ***PW***

PMs' view of inventories

PurchasingWorld

APR/1984

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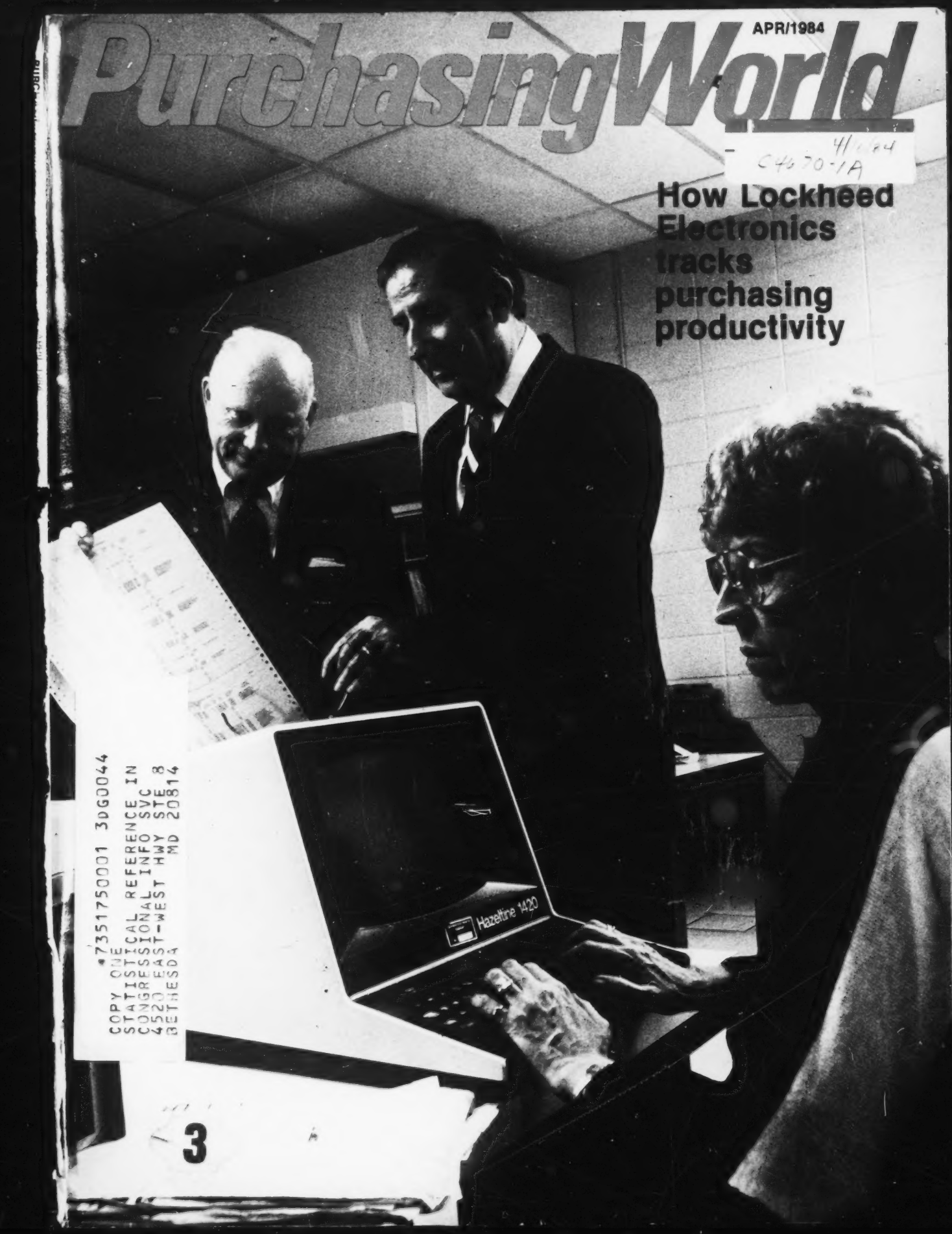
How Lockheed Electronics tracks purchasing productivity



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Helping you manage the business of buying

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83* Buyers plan more import activity
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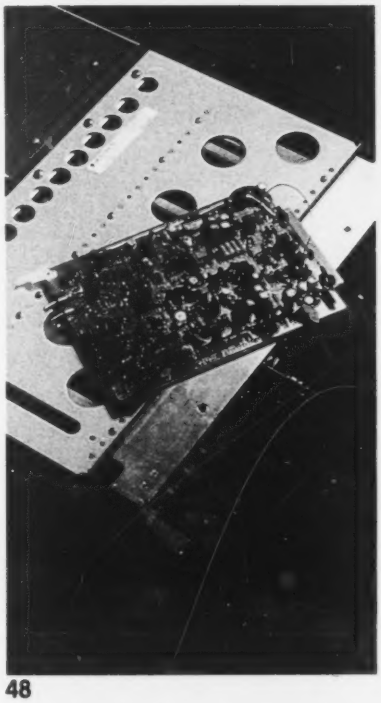

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PW PREDICTS

Robert S. Reichard, executive editor

Signs point to price runups

Slow price acceleration now seems to be the order of the day.

At least, that's what some of the nation's leading inflation yardsticks are signaling. For example, Uncle Sam's industrial wholesale price index moved up at about a 4% annual rate over the first quarter. That's noting earthshaking, to be sure, but it does represent a significant change from the near-level readings that prevailed through most of last year.

Purchasing managers responding to the latest NAPM Business Survey Committee query tell much the same story. More than 40% of the buyers say they've been socked with price increases in recent months. That's in marked contrast to the first quarter of last year when the comparable percent of PMs noting increases came to only about 13-14%.

The recent price speedup in basic raw materials such as paper, plastics, and some metals also suggests higher overall averages in the months immediately ahead. Sooner or later, these grass-roots-level boosts will have to be passed along in the form of higher asking prices on more-highly-fabricated lines.

Finally, some of the basic economic forces are also pointing to a modest stepup in the overall inflation pace: (1) Food prices are not likely to remain quite as stable as they did last year, when the average supermarket bill advanced a miniscule 1%; (2) oil prices are now bottoming out—in contrast to last year's decline; (3) factory operating rates are now up in the respectable 80% level—well above the 71% level of just one year earlier; and (4) the U.S. dollar is likely to decline.

On the last point, some financial analysts now feel the German mark and Japanese yen could appreciate relative to the dollar by 15% and 10%, respectively, this year. This is not insignificant.

Michael K. Evans of Evans Economics, for instance, estimates that for every 10% change in the exchange rate, there's a 1% change in the overall inflation rate. Thus, if the dollar depreciates 10% this year, it would result (other things being equal) in about a 1% increase in the overall U.S. price level as imports become more expensive and as competitive pressures on U.S. vendors ease a bit. And if Evan's estimate that the dollar is 30% overvalued is anywhere near correct, the long-term upward impact on prices could be as much as 3%.

None of this is meant to imply that prices are about to spiral out of control. Two of the nation's largest econometric models (DRI and Wharton) are pretty much in agreement on this point. Indeed, average both firms' estimated industrial price increase for 1984, and you wind up with about a 4.1% advance. That's not all tha. bad—though still well above last year's small 1.1% boost. And even next year's estimated 6% advance is still in the tolerable range.

Reinforced plastics

Reinforced plastics may well be on the list of new materials you'll be shopping around for over the next few years.

Current and projected demand levels for these versatile synthetic materials would certainly seem to indicate as much. All told, the industry hopes to sell 2.155 billion lb in 1984. That's 12% above last year, which was a whopping 26% above depressed 1982 levels.

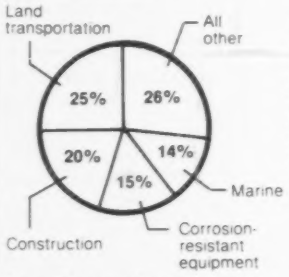
The biggest 1984 gain will be in the land transportation sphere, which already accounts for about one-fourth of the entire industry's output. Continuing increases here are attributable not only to higher auto production, but also to improved materials, innovative production techniques, and new applications.

On the latter score, for example, there are now station wagon load floors molded of glass reinforced polypropylene and new air springs that depend on three plastic components to make them practical at a far lower cost than machined aluminum. And under development are (1) continuous glass-fiber-reinforced transmission supports, (2) a composite rear axle, and (3) composite wheels.

Other big 1984 use increases are anticipated for aircraft (16%), appliances and business equipment (16%), consumer products (12%), marine applications (12%), corrosion-resistant equipment (11%), and electrical and electronic applications (11%).

Reinforced plastics

Projected 1984 usage
(% of total market)



Change in demand
(1984 vs 1983)

Land transportation	18%
Appliances, business equipment	16%
Aircraft	16%
Consumer products	12%
Marine	12%
Corrosion-resistant equipment	11%
Electric & electronic applications	11%
Construction	6%

Source: Reinforced Plastics/Composites Institute

Steel

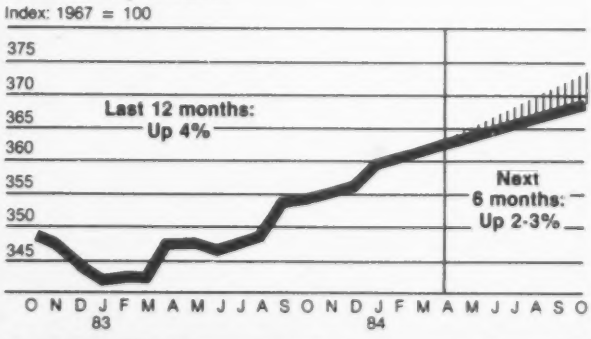
CURRENT SITUATION: The bellwether metal is off to a fast start. Sparked by sheet, March shipments hit 7 million tons—the highest level in 2½ years. And prices are following suit **with discounts gradually beginning to narrow.** Buyers, for example, have only been able to get $30-40/ton off the $550/ton list for Class 1 c-r sheet—well under the $80/ton discounts of late last year.

DEMAND: While some slackening from the current pace is likely, **the industry remains confident it can ship 78-80 million tons**—far above the disappointing 67.5 million that cleared the market last year. **The best showing will again be in consumer-oriented sheet and strip products.** But plate, bar, and heavy structurals should also begin to pick up if projections for a strong, 10% real gain in capital spending materialize. **As for 1985, preliminary estimates suggest about an 81-84 million-ton year**—a range that assumes a 2-3% gain in GNP.

SUPPLY: Some spotty tightness in sheet products is possible as most sheet mills will operate 80-100% of capacity. **Overall, however, there should be a minimum of trouble.** The industry as a whole is unlikely to operate much, if anything, above the 80% level this year. **Also, there's plenty of excess overseas capacity**—especially in Third World nations like Korea, Taiwan, Brazil, Argentina, and Mexico.

PRICE OUTLOOK: The trend is up—but by just how much depends on your frame of reference. Transaction prices will rise significantly. List levels, on the other hand, won't be advancing all that much. Some boosts in official book levels are possible by midyear. Behind the uptrend: (1) improving demand, (2) further reduction in U.S. capacity, and (3) a declining dollar (which will tend to raise import prices). **Look for a 2-3% boost in the list-oriented steel mill product price index over the next 6 months, with 1984 as a whole up about 6%.**

Steel mill products



Copper

Markets are a bit firmer than they were a few months back, aided by a modest drop in LME and Comex stocks and expectations of about a 5%-or-so increase in 1984 U.S. refined consumption (to 2.2 million tons). But that still would leave totals far under the 2.4 million average of 1978 and 1979. And as for inventories, they'll have to drop a lot more to warrant the 90¢/lb price that domestic producers say they need to break even. Right now, 80¢/lb looks possible by midyear—and even that's far from a sure thing.

Chlor-alkalis

Be prepared to pay as much as $25/ton more for chlorine, with quotes moving up into the $195-200/ton range. Chlorinated solvents are also moving up—by 3¢/lb. But coproduct caustic soda seems to be heading in the other direction—down. In any event, recent attempts to post a $10/ton increase here have largely been unsuccessful. Indeed, spot prices as low as $75-80/ton have been reported on the Gulf Coast in recent months.

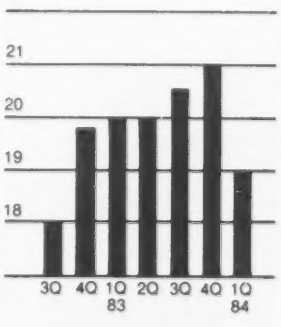
Computers

Tags on portable types should begin to edge lower now that IBM is coming out with a version designed to sell for just under $2800. Sign of the times: Some Japanese models are already going for as little as $2000. On a less optimistic note: Be prepared to pay through the nose for computer repairs. Recent surveys suggest you will have to budget anywhere from $150-300 for a repairman's visit. Labor charges alone run anywhere from $45-100/hr. Another disconcerting fact: A system in heavy use will normally require 2-5 service calls per year.

Ethylene

Look for new attempts to boost prices above the first quarter's 19¢/lb level. Some producers are talking in terms of a 3-4¢/lb hike (into the 22-23¢/lb range) by the end of the year. But this may be far too bullish—especially if the demand doesn't rise a few billion pounds above the 28.6-billion-lb level of 1983. Also keep in mind that there's still plenty of reserve capacity around, with output potential currently estimated to be as high as 38 billion lb/year.

Ethylene price



Aluminum

Offsetting trends here. While recent boosts have been posted on common alloys, rod, and bar, ingot seems to be taking a breather, with little tonnage changing hands at book levels. But this has to be regarded as a temporary phenomonon, as continuing demand gains eventually push ingot up again—most likely into the 80-85¢/lb range by fall. Underlying bullishness is confirmed by new forecasts. Both Free World and domestic demands are expected to rise 8% this year. Inventories (off 30% over the past year both here and abroad) also suggest buoyancy.

Lead

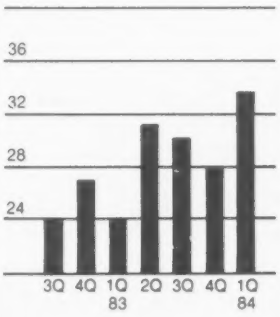
Fundamentals remain bearish. True, domestic consumption rose 2.2% last year (to 1.13 million metric tons). But Free World output could be up as much as 5% (to 4 million metric tons). Upshot: As much as 200,000-metric-ton surplus—added onto already top-heavy inventories. In any event, it's hard to make a case for the metal climbing even into the upper 20s anytime soon.

Polyvinyl chloride

The early-1984 recovery is still gaining momentum. Prodded by a combination of strong housing demand, low inventories, high operating rates, and rising monomer costs, selling prices for both the pipe and general-purpose grades are now approaching 35¢/lb—far above the 25¢/lb readings of just a few months back. Also, discounts have pretty much disappeared. And further hikes seem inevitable as the industry heads for a big 10-15% demand gain in 1984—just about in line with last year's 13% increase.

PVC price

Pipe grade (cents/lb)



Low-density polyethylene

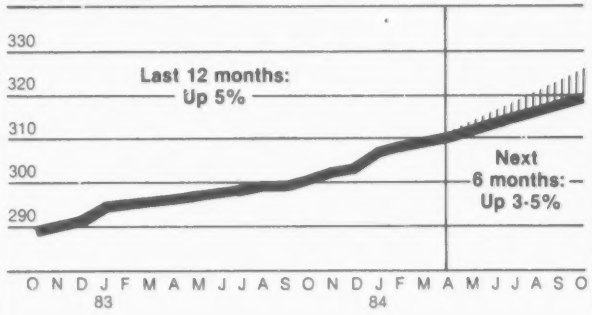
The liner grade has moved up to near 40¢/lb—a sharp 25% above year-earlier levels. And all signs point to further near-term advances, with quotes rising to the 45-46¢/lb range by sometime this summer. Credit the price pickup to rising demand from packaging and other markets, which has pushed LDPE operating rates above the 95% level.

Nickel

Count on prices staying in the low $2.20/lb range for another few months. Keep-

Paper and product prices (list price)

Index: 1967 = 100



CURRENT SITUATION: Early 1984 price increases attest to the industry's bullish nearterm outlook. Since late last year, tags have gone up across the board, with sizeable advances posted in linerboard, corrugated cartons, and most fine papers. Add in earlier boosts, and **some lines are not commanding upwards of 10% more than they did 12 months ago.** But perhaps the best indicator of a seller's market are today's high operating rates, with **most segments of the industry operating near or above the 95% level.**

DEMAND: Another big gain is anticipated on top of last year's big 9% advance over the recession-induced 1982 low and 4% above the previous high reached in 1981. Best bet: **a further 5-5½% increase into the 67½-68 million-ton range.** Most sectors will share in the gain, including newsprint (5½%), coated paper (5½%), unbleached kraft paper (3½%), linerboard (6%), bleached board (4%), and recycled board (5%). **A 4% gain in corrugated boxes** will bring totals into the 263-billion-sq-ft range.

SUPPLY: Leadtime stretchouts emphasize today's snug positions. Average 1984 output levels as a percent of potential are estimated as: newsprint—91%, coated paper—95-96%, unbleached kraft paper—96-97%, linerboard—98%, bleached board—94-95%, and recycled board—83-84%. **But improvements to equipment and increased capacity mean we should be able to scrape along without serious bottlenecks through 1986.**

PRICE OUTLOOK: It's no longer a question of whether tags will rise, but one of how much. Right now, the increases look to be moderate, because it will take time to digest recent hikes, and industry costs are not rising all that rapidly. **Count on a 6-8% increase for overall 1984. As for 1985, count on a similar advance,** although some second-half levelling is possible.

Industrial price trends

The big econometric forecasting models are beginning to signal a modest uptick in price increases.

A sampling of the latest quarterly printout from Data Resources, Inc., (see table) tells the story. True, there's no need to panic (most increases—even into 1985—look to remain well within the single-digit range). But the fact is that most product lines will be sporting somewhat bigger increases over the next year or two.

Blame it on (1) continuing demand gains (GNP will rise another 5.3% this year and 3.3% in 1985, according to the latest DRI estimate) and (2) the gradual drying up of excess factory capacity.

On the other hand, analysts at DRI remain basically optimistic that another inflationary spiral can be avoided, pointing out that wage increases—the engine of inflation—will remain quite modest. They predict, for example, that nonform wages will rise just 4.5% this year and 5.3% in 1985.

Price outlook through 1985
(Percent change, fourth quarter, year to year)

Pulp & paper (except building paper)	1984/83	1985/84
Crude construction materials	3.7	12.2
Processed fuels & lubricants	3.3	5.9
Integrating & measuring instruments	4.5	7.0
Plumbing fixtures	6.6	6.2
Insulation board	4.2	4.7
Nonferrous scrap	11.0	9.6
Laminated plastic sheets	5.5	4.9
Primary batteries	6.9	6.3
Electronic components	3.3	3.5
Machine shop products	5.7	9.0
Concrete products	6.3	9.4
Carbon steel bar (hot rolled)	6.9	6.8
Carbon steel strip (hot rolled)	5.2	6.5
Copper & brass mill shapes	15.6	7.9
Hardware	5.1	5.3
Fasteners	5.6	9.0
Pulp & paper (except building paper)	5.4	5.7
Tires	4.7	5.7
Prepared paint	4.8	4.5
Residual fuel	4.1	4.4
Metalworking machinery	7.8	6.9
Oil & gasfield machinery	5.1	7.9
Trucks	7.2	6.0
Special industrial equipment	7.0	11.2
Transformers & power regulators	5.7	6.8
Pumps & compressors	8.5	9.0

Source: Data Resources, Inc., Cost Forecasting Service

ing domestic quotes down are a combination of factors, including: (1) the continued influx of low-cost foreign metal, (2) relatively high LME stock levels, and (3) still somewhat disappointing capital goods markets. But producers are now fairly optimistic on the demand front (at least as far as overall 1984 is concerned). They project a 100-million-lb gain in Free World consumption. This would bring total use up to near 1.2 billion lb (about 100 million above estimated 1984 production figures).

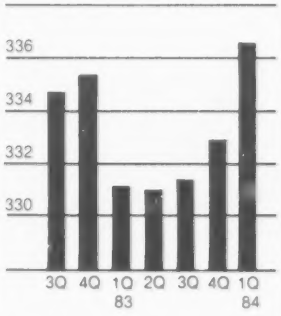
Electricity

Brace for some rate acceleration following last year's surprisingly small 3% overall increase. Blame it on (1) a modest firming in fuel input costs following last year's fractional 1% fall, (2) a reduction in the availability of cheap hydro-power, and (3) the need to finance new generating facilities. All in all, these should combine to push average rates up about 7% this year, and perhaps 7-8% during 1985.

Bearings

Improving demand from machinery makers should give the industry a shot in the arm. The 1984 physical volume of shipments is expected to rise about 10%, in sharp contrast to last year's 3% decline. But low-price imports (expected to be up as much as 15%) should continue to limit price advances. Nevertheless, some upcreep is likely, with overall 1984 tags rising about 5% above depressed 1983 levels. And by next year, increases as high as 8% can't be ruled out if capital spending continues to pick up as expected.

Bearings prices
(Index: 1967 = 100)



Zinc

All signs point to continued firmness. Worldwide stocks, for instance, have dropped by more than 40% over the past year. And here in the United States, smelter holdings are now the equivalent of less than a month of shipments. Meantime, on the demand front, projections now call for about a 6% increase in domestic use this year (to 925,000 tons)—on top of last year's even bigger 12% gain. Also adding to demand pressures are expectations that the Chinese will buy another 200,000 tons this year. Conclusion: further modest price boosts—to maybe the 55¢/lb range by late spring or summer.